

Binastra Corporation (BNASTR MK)

Skyscrapers In The Making

Highlights

- **A stalwart with over 40 years of experience** in the Malaysian construction sector, Binastra has charted an impressive earnings turnaround since its restructuring exercises in 2023.
- **Forecast a three-year earnings CAGR of 29%** in FY26-28, well supported by a record-high outstanding orderbook of RM4.5b (>4x revenue cover).
- **Initiate coverage with BUY and target price of RM2.61** pegged to 16.8x FY27F PE.

Analysis

- **An authentic, long-established contractor.** Binastra Corporation (Binastra) is a pure-play construction company with over 40 years of track record, with core expertise across various high-rise residential, commercial and industrial developments. Notably, the group has delivered over RM12b worth of contracts across 189 projects since inception in 1980. In the past five years, Binastra has achieved supercharged growth with restructuring and rebranding exercises spearheaded by Managing Director Datuk Jackson Tan Kak Seng.
- **Trifecta of catalysts sculpturing growth prospects.** We foresee a new leg of growth that will anchor Binastra's three-year revenue/net profit CAGR of 37/29% respectively in FY26-28. This will be underpinned by: a) parallel growth of key customers (Platinum Victory, EXSIM and Maxim Global) in accelerated project launches and geographical expansion (potential GDV > RM5b), b) potential job flows from the robust data centre (DC) pipeline in Malaysia, and c) a strategic pivot to the energy-efficient engineering solutions space via LF Lansen.

Orderbook foundations concreting fundamentals. Binastra secured a RM3.1b orderbook in FY25, surpassing management's initial target of RM3b. YTD in FY26, the group has further clinched new contracts amounting to RM1.6b (comprising DC and residential works), and is well on track towards our FY26 orderbook replenishment target of RM4b. With a record-high outstanding orderbook of RM4.5b (>4x revenue cover) and potential low-hanging contracts worth about RM4.5b in FY26-27 (from EXSIM and Maxim Global's Klang Valley and Johor Bahru's projects), Binastra is well-positioned for record-high earnings levels throughout FY26-28.

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Key Financials

Year to 31 Jan (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	425	947	1,548	2,071	2,423
EBITDA	57	134	199	251	288
Operating profit	55	125	188	237	272
Net profit (rep./act.)	42	90	133	169	194
Net profit (adj.)	42	90	133	169	194
EPS	3.8	8.3	12.2	15.5	17.8
PE	51.6	23.8	16.1	12.7	11.1
P/B	25.8	7.6	8.6	6.0	4.5
EV/EBITDA	37.3	15.8	10.6	8.4	7.3
Dividend yield	0.0	1.5	1.9	2.4	2.7
Net margin	9.8	9.5	8.6	8.2	8.0
Net debt/(cash) to equity	(19.0)	(25.9)	(14.4)	(18.3)	(26.2)
Interest cover	420.2	230.5	223.5	217.9	343.8
ROE	69.2	49.4	50.1	55.7	46.4
Consensus net profit	n.a.	n.a.	132.8	169.8	212.6
UOBKH/Consensus (x)	n.a.	n.a.	1.00	1.00	0.91

Source: Binastra, Bloomberg, UOB Kay Hian

BUY

Share Price	RM1.99
Target Price	RM2.61
Upside	31.2%

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Stock Data

GICS Sector	Construction
Bloomberg ticker	BNASTR MK
Shares issued (m)	1,091.3
Market cap (RMm)	2,171.7
Market cap (US\$m)	517.9
3-mth avg daily t'over (US\$m)	0.4

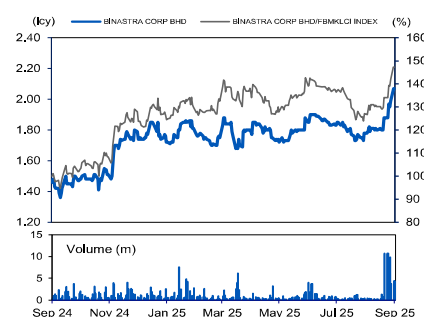
Price Performance (%)

52-week high/low			RM2.01/RM1.35	
1mth	3mth	6mth	1yr	YTD
11.3	9.4	15.9	33.1	12.6

Major Shareholders

	%
JT Conglomerate Sdn Bhd	41.2
Lee Yong Seng	12.9
Tan Kak Seng	11.1
FY26 NAV/Share (RM)	0.23
FY26 Net Cash/Share (RM)	0.07

Price Chart



Source: Bloomberg

Company Description

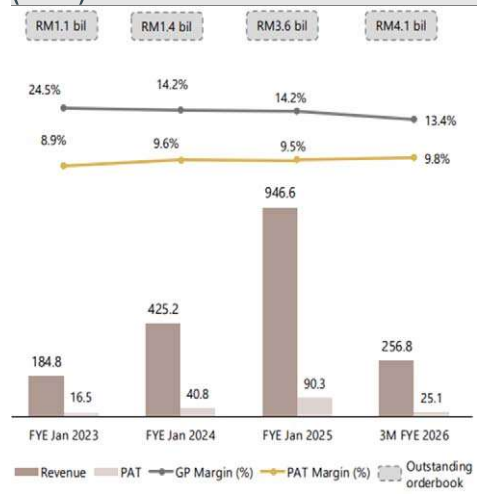
Binastra Corporation specialises in residential, commercial and industrial construction projects in Malaysia.

- **Synergistic, parallel growth from long-term partnerships.** Binastra has established close ties with three key customers, namely Platinum Victory (PV), EXSIM Development (EXSIM) and Maxim Global (MAXIM). The relationships span across many years (PV: 20 years; EXSIM: 13; Maxim: 6), with a visible increase in orderbook throughout the years which indicates parallel growth. Currently, all three make up about 85% of Binastra's orderbook, with the remaining 15% coming from GreenEarth, CPI Land and MYT DC3 AIMS Group.
- **Forecasting a three-year net profit CAGR of 29% in FY26-28.** We estimate core net profit at RM133m/RM169m/RM194m in FY26/27/28 respectively, implying earnings growth of 48%/ 27%/15% respectively. This comes on the back of a three-year revenue CAGR of 37% whereby growth will be mainly driven by higher progress billings from several flagship projects, based on the S-curve methodology. Meanwhile, we also expect a strong pipeline of construction projects from key customers such as EXSIM and MAXIM, which will continue to elevate the group's orderbook to higher levels.
- **Setting a RM4.0b-4.5b orderbook replenishment forecast for FY26-28.** Thus far in FY25, Binastra has clinched about RM3.1b worth of new construction jobs, mainly comprising mixed development buildings and DC infrastructures from key customers. Going forward, we assume the group would clinch at least RM4.0b-4.5b worth of new jobs annually in FY26-28. We think our assumptions are achievable, given plenty of job opportunities following key customers' ambitious development pipelines in Klang Valley and Johor. The current outstanding orderbook of RM4.5b also represents an orderbook cover of over 4x, which serve as a strong earnings base for FY26-28.
- **Dividend payout ratio of 30%; prospective yield of 2.1%.** While Binastra does not have an official dividend policy, the group intends to dole out at least 30% of its profit as dividends from FY26 onwards. Assuming a dividend payout of 30%, we expect 3.7/4.7/5.3sen to be declared in FY26-28 respectively. This translates to commendable prospective yields of 2-3% in FY26-28. Considering the group's healthy net operating cash flow of RM127m-158m in FY26-28, we do not rule out better capital management which may allow for a higher dividend payout.
- **Healthy balance sheet with net cash.** Binastra possess a strong balance sheet with a net cash pile of RM76.8m (7sen/share). Based on our assumptions, Binastra's net cash position may reach RM93m/154m in FY26/27 respectively as operating cash flow continues to improve in tandem with higher earnings recognised. The resilient balance sheet also provides the group with capacity to gear up in future in order to expand its orderbook.

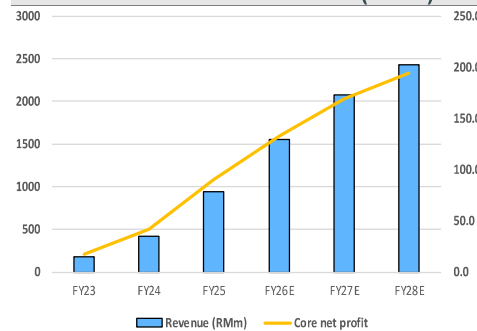
Valuation/Recommendation

- **From the vantage point of valuations.** Binastra is trading at a meaningful discount to the sector's average valuations (24x forward PE in FY26). Solely from the valuations perspective, we see re-rating potential given the group's multi-year earnings upcycle and three-year revenue/net profit CAGR of 37/29% in FY26-28. Binastra also has a dividend policy of a more than 30% payout ratio, translating into a prospective dividend yield of 1.9-2.7% in FY26-28 (with room for capital management upside).
- **Initiate coverage with a BUY and target price of RM2.61,** implying an upside potential of 33%. We peg our target price to 16.8x FY27F PE, its three-year mean, and at a discount to Bursa Malaysia Construction Index's five-year mean of 21x and peers' FY26F mean of 24x. Our target price also implies an undemanding PEG ratio of 0.47x.
- **Our valuations have factored in resilient FY26-28 growth,** which we deem justifiable given Binastra's excellent growth track record. We continue to like the stock for its strong management team and orderbook visibility, which enables the group to deliver record annual results year after year.

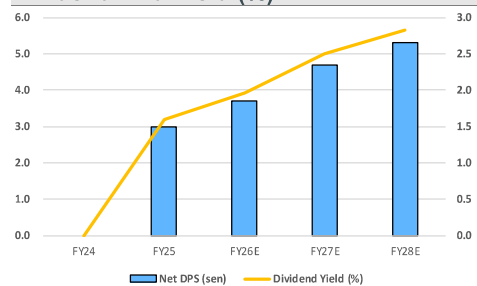
Earnings, Margins And Orderbook Trend (RMm)



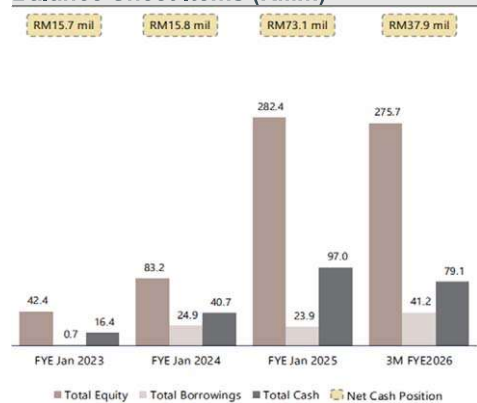
Revenue And Net Profit Trend (RMm)



Dividend And Yield (%)



Balance Sheet Items (RMm)



Profit & Loss

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Net turnover	947	1,548	2,071	2,423
EBITDA	134	199	251	288
Deprec. & amort.	9	11	14	16
EBIT	125	188	237	272
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	125	176	223	255
Tax	(34)	(42)	(53)	(61)
Minorities	0	0	0	0
Net profit	90	133	169	194
Net profit (adj.)	90	133	169	194

Cash Flow

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Operating	2	72	121	162
Pre-tax profit	125	176	223	255
Tax	(34)	(42)	(53)	(61)
Deprec. & amort.	9	11	14	16
Associates	0	0	0	0
Working capital changes	(107)	(71)	(60)	(46)
Other operating cashflows	8	(2)	(2)	(2)
Investing	(61)	(50)	(50)	(50)
Capex (growth)	(46)	(50)	(50)	(50)
Proceeds from sale of assets	0	0	0	0
Others	(15)	0	0	0
Financing	105	(34)	(41)	(52)
Dividend payments	0	(33)	(40)	(51)
Issue of shares	0	0	0	0
Proceeds from borrowings	(1)	(1)	(1)	(1)
Others/interest paid	106	0	0	0
Net cash inflow (outflow)	44	(12)	29	60
Beginning cash & cash equivalent	52	72	60	89
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	96	60	89	149

Balance Sheet

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Fixed assets	47	86	123	157
Other LT assets	0	0	0	0
Cash/ST investment	97	60	89	149
Other current assets	587	670	897	1,049
Total assets	731	817	1,109	1,355
ST debt	24	24	24	24
Other current liabilities	421	543	728	853
LT debt	0	0	0	0
Other LT liabilities	3	0	0	0
Shareholders' equity	282	250	357	478
Minority interest	0	0	0	0
Total liabilities & equity	731	816	1,109	1,355

Key Metrics

Year to 31 Jan (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.1	12.8	12.1	11.9
Pre-tax margin	13.2	11.3	10.7	10.5
Net margin	9.5	8.6	8.2	8.0
ROA	17.6	17.2	17.6	15.8
ROE	49.4	50.1	55.7	46.4
Growth				
Turnover	122.6	63.6	33.8	17.0
EBITDA	135.7	48.6	26.3	14.9
Pre-tax profit	125.8	41.0	26.8	14.7
Net profit	117.1	47.7	26.8	14.7
Net profit (adj.)	116.9	47.8	26.8	14.7
EPS	116.9	47.8	26.8	14.7
Leverage				
Debt to total capital	7.8	8.7	6.3	4.8
Debt to equity	8.5	9.6	6.7	5.0
Net debt/(cash) to equity	(25.9)	(14.4)	(18.3)	(26.2)
Interest cover (x)	230.5	223.5	217.9	343.8

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